

VILLAGE OF BUCKLEY
BUCKLEY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.06)

Unit Name* Village of Buckley	County* WEXFORD	Type* VILLAGE	MuniCode*
Opinion Date-Use Calendar* August 31, 2008	Audit Submitted-Use Calendar* August 31, 2008	Fiscal Year End Month* 02	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies?
	19. If so, was it attached to the audit report?

General Fund Revenue:	<input checked="" type="checkbox"/> ? \$333,507
General Fund Expenditure:	<input checked="" type="checkbox"/> ? \$353,322
Major Fund Deficit Amount:	

General Fund Balance:	<input checked="" type="checkbox"/> ? \$127,067
Governmental Activities Long-Term Debt (see instructions):	\$175,000 <input checked="" type="checkbox"/> ?

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Barry	Last Name* Gaudette	Ten Digit License Number* 1101011050		
CPA Street Address* 731 S. Garfield Ave.	City* Traverse City	State* MI	Zip Code* 49686	Telephone* 2319468930
CPA Firm Name* Barry E. Gaudette, CPA, PC	Unit's Street Address* 717 E. Wexford Ave.	Unit's City* Buckley	Unit's Zip* 49620	

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INTRODUCTORY SECTION

Village of Buckley
List of Elected Officials and Village Officers
February 29, 2008

Dennis Kuhn	President
Larry Cade	Vice President /Trustee
Dennis Kuhn II	Clerk
Jacqueline Cade	Treasurer
Lex Armour	Trustee
Verneta Hartzell	Trustee
Wayne Kellogg	Trustee
Mary Jo Lance	Trustee
Gary Griffin	Trustee

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Village Council
Village of Buckley
Buckley, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Buckley, Michigan, as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Buckley, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Buckley, Michigan, as of February 29, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Village of Buckley
Independent Auditors' Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated August 31, 2008, on my consideration of the Village of Buckley, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The budgetary comparison information on pages 33 through 37, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Barry E. Landolt, CPA, PC

August 31, 2008

BASIC FINANCIAL STATEMENTS

**Village of Buckley
Statement of Net Assets
February 29, 2008**

	Governmental Activities	Business -Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 55,368	\$ 13,200	\$ 68,568
Receivables, net	80,442	3,049	83,491
Prepaid expenses	8,138	4,069	12,207
Restricted cash	30,046	39,086	69,132
Due from other funds	7,736		7,736
Capital assets (net of accumulated depreciation):			
Land and improvements	190,732	800	191,532
Buildings & improvements	317,727		317,727
Machinery and equipment	61,112		61,112
Fire trucks and equipment	123,893		123,893
Water system		271,154	271,154
Total assets	<u>875,194</u>	<u>331,358</u>	<u>1,206,552</u>
LIABILITIES			
Accounts payable	985		985
Accrued interest		957	957
Due to other funds		7,736	7,736
Noncurrent liabilities:			
Due within one year	5,000	6,000	11,000
Due in more than one year	<u>170,000</u>	<u>34,281</u>	<u>204,281</u>
Total liabilities	<u>175,985</u>	<u>48,974</u>	<u>224,959</u>
NET ASSETS			
Invested in capital assets, net of related debt	518,464	231,673	750,137
Restricted for:			
Fire equipment	30,046		30,046
Debt service		39,086	39,086
Unrestricted	<u>150,699</u>	<u>11,625</u>	<u>162,324</u>
Total net assets	<u>\$ 699,209</u>	<u>\$ 282,384</u>	<u>\$ 981,593</u>

See notes to financial statements

Village of Buckley
Statement of Activities
For the Year Ended February 29, 2008

Functions /Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General				
Government	\$ 49,428	\$	\$	\$
Public safety	93,389		21,281	66,500
Public works	142,667		59,895	5,000
Health & welfare	21,917	36,795		
Community/ economic development	5,680			
Recreation & culture	19,085			
Other	8,811			
Interest expense	8,913			
Total governmental activities	349,890	36,795	81,176	71,500
Business-type activities:				
Water	91,452	56,926		
Total	\$ 441,342	\$ 93,721	\$ 81,176	\$ 71,500

General revenues:
Property taxes & administrative fees
Licenses & fees
State revenue sharing
Interest earnings
Rentals

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

**Net(Expense) Revenue and
Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (49,428)	\$	\$ (49,428)
(5,608)		(5,608)
(77,772)		(77,772)
14,878		14,878
(5,680)		(5,680)
(19,085)		(19,085)
(8,811)		(8,811)
<u>(8,913)</u>	<u> </u>	<u>(8,913)</u>
(160,419)		(160,419)
<u> </u>	<u>(34,526)</u>	<u>(34,526)</u>
<u>(160,419)</u>	<u>(34,526)</u>	<u>(194,945)</u>
131,170		131,170
350		350
47,269		47,269
2,438	981	3,419
<u>23,225</u>	<u>45,600</u>	<u>68,825</u>
<u>204,452</u>	<u>46,581</u>	<u>251,033</u>
44,033	12,055	56,088
<u>655,176</u>	<u>270,329</u>	<u>925,505</u>
<u>\$ 699,209</u>	<u>\$ 282,384</u>	<u>\$ 981,593</u>

Village of Buckley
Balance Sheet
Governmental Funds
February 29, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 12,448	\$ 28,487	\$ 14,433	\$ 55,368
Cash-reserved	30,046			30,046
Prepaid expenses	8,138			8,138
Taxes receivable	27,775			27,775
Due from state	14,964	7,461	3,297	25,722
Accounts receivable	11,945			11,945
Assessments receivable	15,000			15,000
Due from other funds	<u>7,736</u>	<u>7,500</u>		<u>15,236</u>
Total assets	<u>\$ 128,052</u>	<u>\$ 43,448</u>	<u>\$ 17,730</u>	<u>\$ 189,230</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 985	\$	\$	\$ 985
Due to other funds			<u>7,500</u>	<u>7,500</u>
Total liabilities	<u>985</u>		<u>7,500</u>	<u>8,485</u>
Fund balances:				
Reserved	30,046			30,046
Unreserved, reported in:				
General fund	97,021			97,021
Major street fund		43,448		43,448
Local street fund			<u>10,230</u>	<u>10,230</u>
Total fund balances	<u>127,067</u>	<u>43,448</u>	<u>10,230</u>	<u>180,745</u>
Total liabilities and fund balances	<u>\$ 128,052</u>	<u>\$ 43,448</u>	<u>\$ 17,730</u>	<u>\$ 189,230</u>

See notes to financial statements

Village of Buckley
Reconciliation of the Governmental Funds
Balance Sheet
with the Statement of Net Assets
February 29, 2008

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 180,745
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Capital assets used in governmental
activities are not financial resources
and therefore are not reported as assets
in governmental funds:

Cost of capital assets	1,089,750
Accumulated depreciation	(396,286)

Interfund receivables and payables are
included in governmental funds and
Enterprise Funds, but eliminated in the
Statement of Net Assets:

Governmental Funds:	
Due from other funds	(7,500)
Due to other funds	7,500

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(175,000)</u>
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Total Net Assets - Governmental Activities	<u>\$ 699,209</u>
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See notes to financial statements

Village of Buckley
Statement of Revenues, Expenditures, and Changes
In Fund Balance
Governmental Funds
For the Year Ended February 29, 2008

	General	Major Street	Local Street	Total Governmental Funds
REVENUES				
Taxes & adm. fees	\$ 131,170	\$	\$	\$ 131,170
Licenses & fees	350			350
Intergovernmental revenue from federal government	66,500			66,500
Intergovernmental revenue from state:				
State revenue				
sharing	47,269			47,269
Streets & highways		41,536	18,359	59,895
Contributions from local units	21,281			21,281
Charges for services	36,795			36,795
Interest and rents	25,142	334	187	25,663
Other revenue	5,000			5,000
Total revenues	333,507	41,870	18,546	393,923
EXPENDITURES				
Current:				
General government	49,428			49,428
Public safety	74,931			74,931
Public works	65,567	24,922	34,945	125,434
Health & welfare	21,917			21,917
Community/economic development	5,680			5,680
Recreation & culture	19,085			19,085
Other	8,811			8,811
Debt payments:				
Principal	5,000			5,000
Interest	8,913			8,913
Capital outlay	93,990			93,990
Total expenditures	353,322	24,922	34,945	413,189
Excess (deficiency) of revenues over (under) expenditures	(19,815)	16,948	(16,399)	(19,266)
OTHER FINANCING SOURCES (USES)				
Transfers in(out)		(10,000)	10,000	
Net changes in fund balances	(19,815)	6,948	(6,399)	(19,266)

Village of Buckley
 General Fund
 Statement of Revenues, Expenditures, and Changes
 In Fund Balance
 Governmental Funds
 For the Year Ended February 29, 2008
 (Continued)

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total Governmental Funds</u>
Net changes in fund balances	(19,815)	6,948	(6,399)	(19,266)
Fund balances - beginning	<u>146,882</u>	<u>36,500</u>	<u>16,629</u>	<u>200,011</u>
Fund balances - ending	<u>\$ 127,067</u>	<u>\$ 43,448</u>	<u>\$ 10,230</u>	<u>\$ 180,745</u>

See notes to financial statements

Village of Buckley
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended February 29, 2008

Amounts reported for governmental activities in the
statement of activities are different because:

Total net change in fund balances - total governmental funds	\$(19,266)
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Governmental funds report capital outlays
as expenditures. However, in the statement
of activities the cost of those assets is
allocated over their estimated useful lives
and reported as depreciation expense. This
is the amount by which capital outlays
exceeded depreciation in the current period.

Capital outlays	93,990
Depreciation	(35,691)

The issuance of long-term debt provides
current financial resources to governmental
funds, while the repayment of the principal
of long-term debt consumes the current
financial resources of governmental funds.
Neither transaction, however, has any effect
on net assets. This amount is the net effect
of these differences in the treatment of long-
term debt and related items.

5,000

Change in net assets of governmental activities	<u>\$ 44,033</u>
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See notes to financial statements

Village of Buckley
Statement of Net Assets
Proprietary Funds
February 29, 2008

	Business-type Activities -Enterprise Funds	
	Prior Year	Water Fund Current Year
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,052	\$ 13,200
Receivables, net	3,599	3,049
Prepaid insurance	7,434	4,069
Due from other funds	11,500	
Total current assets	<u>38,585</u>	<u>20,318</u>
Noncurrent assets:		
Restricted cash and cash equivalents	19,588	39,086
Capital assets:		
Land	800	800
Buildings & improvements	83,440	83,440
Vehicles & equipment	5,371	5,371
Water distribution system	697,539	697,539
Meters	28,873	28,873
Less accumulated depreciation	(514,702)	(544,069)
Total noncurrent assets	<u>320,909</u>	<u>311,040</u>
Total assets	<u>359,494</u>	<u>331,358</u>
LIABILITIES		
Current liabilities:		
Accounts payable	834	
Accrued interest	2,049	957
Current portion of revenue bonds	6,000	6,000
Due to other funds		7,736
Total current liabilities	<u>8,883</u>	<u>14,693</u>
Noncurrent liabilities:		
Bonds payable	<u>80,281</u>	<u>34,281</u>
Total liabilities	<u>89,164</u>	<u>48,974</u>
NET ASSETS		
Invested in capital assets, net of related debt	215,040	231,673
Restricted for debt service	19,588	39,086
Unrestricted	<u>35,702</u>	<u>11,625</u>
Total net assets	<u>\$ 270,330</u>	<u>\$ 282,384</u>

See notes to financial statements

Village of Buckley
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended February 29, 2008

	Business-type Activities -Enterprise Funds	
	Water Year	
	Prior Year	Current Year
Operating revenues:		
Charges for services	\$ 55,274	\$ 56,926
Rents	31,600	45,600
Total operating revenues	<u>86,874</u>	<u>102,526</u>
Operating expenses:		
Depreciation	28,321	29,367
Wages	18,662	21,277
Repairs, maintenance & supplies	10,442	10,075
Equipment rental expense		7,472
Insurance	12,081	13,507
Utilities	5,198	5,448
Total operating expenses	<u>74,704</u>	<u>87,146</u>
Operating income(loss)	<u>12,170</u>	<u>15,380</u>
Nonoperating revenue(expenses):		
Investment earnings	409	981
Interest expense	(6,204)	(4,306)
Total nonoperating revenue(expenses)	<u>(5,795)</u>	<u>(3,325)</u>
Change in net assets	6,375	12,055
Total net assets-beginning	<u>263,954</u>	<u>270,329</u>
Total net assets-ending	<u>\$ 270,329</u>	<u>\$ 282,384</u>

See notes to financial statements

Village of Buckley
Statement of Cash Flows
Proprietary Funds
For the Year Ended February 29, 2008

	<u>Business-type Activities</u> <u>-Enterprise Funds</u>	
	<u>Water Fund</u>	
	<u>Prior Year</u>	<u>Current Year</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 90,629	\$ 103,076
Payments to suppliers	(52,356)	(33,971)
Payments to employees	(18,662)	(21,277)
Net cash provided by operating activities	<u>19,611</u>	<u>47,828</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Due from(to) other funds	<u>(11,500)</u>	<u>19,236</u>
Net cash provided (used) by noncapital financing activities	<u>(11,500)</u>	<u>19,236</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of meters & connections	(2,731)	
Interest expense	(6,347)	(5,398)
Payment of principal on long-term debt	<u>(6,000)</u>	<u>(46,000)</u>
Net cash (used) by capital and related financing activities	<u>(15,078)</u>	<u>(51,398)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash	(9,999)	(19,499)
Interest received	<u>409</u>	<u>981</u>
Net cash (used) by investing activities	<u>(9,590)</u>	<u>(18,518)</u>

Village of Buckley
Statement of Cash Flows
Proprietary Funds
For the Year Ended February 29, 2008
(Continued)

	<u>Business-type Activities</u> <u>- Enterprise Funds</u>	
	<u>Water Fund</u>	
	<u>Prior Year</u>	<u>Current Year</u>
Net increase (decrease) in cash and cash equivalents	(16,557)	(2,852)
Cash and cash equivalents, beginning	<u>32,609</u>	<u>16,052</u>
Cash and cash equivalents, ending	<u>\$ 16,052</u>	<u>\$ 13,200</u>

Village of Buckley
Statement of Cash Flows
Proprietary Funds
For the Year Ended February 29, 2008
(Continued)

	Business-type Activities - Enterprise Funds	
	Water Fund	
	<u>Prior Year</u>	<u>Current Year</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income(loss)	\$ 12,170	\$ 15,380
Adjustments to reconcile operating income to net cash provided(used) by operating activities:		
Depreciation expense	28,321	29,367
(Increase) decrease in:		
Accounts receivable	3,755	550
Prepaid insurance	(3,546)	3,365
(Decrease) increase in:		
Accounts payable	(21,089)	(834)
Total adjustments	<u>7,441</u>	<u>32,448</u>
Net cash provided by operating activities	<u>\$ 19,611</u>	<u>\$ 47,828</u>

See notes to financial statements

Village of Buckley
Notes to Financial Statements
February 29, 2008

I. Summary of significant accounting policies

The financial statements of the Village of Buckley (the Village) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

A. Reporting entity

The Village is governed by an elected five-member board. The accompanying financial statements present the Village's operations for which the government is considered to be financially accountable. The Village has no component units and is not responsible for any jointly governed organizations.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Village does not have any fiduciary funds.

I. Summary of significant accounting policies (Continued)

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Village as of the preceding December 31st. Real property taxes not collected as of October 15th are turned over to Wexford County, which advances the Village 100% for the delinquent taxes.

The 2007 real and personal property taxable valuation of the Village totaled \$13,719,327, on which ad valorem taxes levied consisted of 9.2070 mills for Village operating purposes. This amount is recognized in the General Fund as current tax revenue. A 1% administration fee was charged this year and totalled \$1,426.

I. Summary of significant accounting policies (Continued)

C. Measurement focus, basis of accounting and financial statement presentation (Continued)

The Village reports the following major governmental funds:

The *general fund* is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes. These funds include the Major and Local Street Funds.

The Village reports the following major proprietary funds:

The *water fund* accounts for activities of the business-type - Enterprise Fund of the Village. The intent of the Village's Board is that the costs of providing water service to the general public on a continuing basis be financed or recovered primarily through user charges.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of equipment charges to the general fund, and other charges between the government's water functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

I. Summary of significant accounting policies (Continued)

C. Measurement focus, basis of accounting and financial statement presentation (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise fund, and of the government's internal service fund are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Village to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Village is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on October 15th of the following year, at which time penalties and interest are assessed.

It is the Village's policy to place delinquent water bills on the tax rolls on an annual basis.

3. Inventories and prepaid items

Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of the Village's water revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

The Village has two accounts at Honor State Bank in a certificate of deposit valued at \$8,984 and a checking account (NOW account) with a balance of \$30,102 as of February 29, 2008. These monies are reserved in the Water Fund for payment of future debt payments.

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

4. Restricted assets (Continued)

The General Fund has a certificate of deposit of \$10,046 and a savings account of \$20,000 reserved for the purchase of a fire truck in the future.

5. Capital assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the Village is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Equipment	10
Water system	25
Park & recreation improvements	20
Fire hall & improvements	40
Fire vehicles	20
DPW vehicles & equipment	10

6. Compensated absences

The Village does not account for employee accrued sick and vacation pay. The Village's policy is to reimburse its employees for any sick and/or vacation pay unused at year-end. The Village currently has one employee that is eligible to receive 60 hours of vacation leave per year.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

I. Summary of significant accounting policies (Continued)

D. Assets, liabilities, and net assets or equity (Continued)

8. Fund equity

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Comparative data/reclassifications

Comparative total data for the prior year have been presented for the individual enterprise fund in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The President submits to the Village Council a proposed budget for the fiscal year commencing on March 1st. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to February 29, the budget is legally adopted by the Village Council as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other

II. Stewardship, compliance, and accountability (Continued)

A. Budgetary information (Continued)

financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.

4. The President is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the general, major street and local street funds.
6. The budget as presented, has not been amended. Supplemental appropriations were made during the year with the last one approved prior to March 1st.

B. Excess of expenditures over appropriations

For the year ended February 29, 2008, expenditures exceeded appropriations in the following activities:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General government:			
Village council	\$ 11,250	\$ 12,870	\$ (1,620)
Local Street Fund:			
Public works:			
Routine maintenance	34,500	34,945	(445)

These overexpenditures were funded by the available fund balances in the general and local street funds.

III. Detailed notes on all funds

A. Deposits and investments

Deposits

The Village's policies regarding deposits of cash are discussed in Note 1. The table presented below is designed to disclose the level of custody credit risk assumed by the Village based upon how its deposits were insured or secured with collateral at February 29, 2008. The categories of credit risk are defined as follows:

III. Detailed notes on all funds (Continued)

A. Deposits and investments (Continued)

Deposits (Continued)

Category 1 - Insured by FDIC or collateralized with securities held by the Village (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Village's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Village's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	<u>Custody Credit Risk</u>			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 68,784	\$ 68,784	\$	\$	\$ 68,567
NOW account	30,102	30,102			30,102
Certificate of deposits	<u>39,031</u>	<u>39,031</u>			<u>39,031</u>
	<u>\$137,917</u>	<u>\$137,917</u>	<u>\$</u>	<u>\$</u>	<u>\$137,700</u>

Investments

The Village did not have any investments as of February 29, 2008.

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	\$ 137,700
Investments	<u>-</u>
Total	<u>\$ 137,700</u>
Cash and cash equivalents:	
General, major and local street funds	\$ 85,631
Water fund	52,286
Checks written in excess of deposits	<u>(217)</u>
Total	<u>\$ 137,700</u>

III. Detailed notes on all funds (Continued)

B. Receivables

Receivables due from the state as of the year end for the government's individual major funds consist of \$14,964, \$7,461 and \$3,297, respectively in the general fund, major street and local street funds. These receivables represent monies owed from the State of Michigan for state revenue sharing, and Act 51 monies, and local road plan costs. Also, in the general fund, \$27,775 is due from the County of Wexford for delinquent real taxes, personal taxes, administrative fees, and delinquent water bills. Other receivables in the general fund consist of \$11,945 due from ambulance billings and \$15,000 from assessments. The receivables in the enterprise funds consist of accounts receivable from customers of \$3,049.

C. Capital assets

Capital asset activity for the year ended February 29, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land & improvements	\$ 190,732	\$ _____	\$ _____	\$ 190,732
Total capital assets, not being depreciated	<u>190,732</u>	<u>_____</u>	<u>_____</u>	<u>190,732</u>
Capital assets, being depreciated:				
Buildings & improvements	486,782			486,782
Parks & recreation	26,600			26,600
Fire trucks	171,339	71,286		242,625
DPW machinery & equipment	116,372	22,704		139,076
Fire equipment	<u>3,935</u>	<u>_____</u>	<u>_____</u>	<u>3,935</u>
Total capital assets being depreciated	<u>805,028</u>	<u>93,990</u>	<u>_____</u>	<u>899,018</u>
Less accumulated depreciation for:				
Buildings & improvements	(154,985)	(14,070)		(169,055)
Parks & recreation	(26,600)			(26,600)
Fire trucks	(110,661)	(10,349)		(121,010)
DPW machinery & equipment	(67,170)	(10,794)		(77,964)
Fire equipment	<u>(1,179)</u>	<u>(478)</u>	<u>_____</u>	<u>(1,657)</u>
Total accumulated depreciation	<u>(360,595)</u>	<u>(35,691)</u>	<u>_____</u>	<u>(396,286)</u>

III. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities (Continued):				
Total capital assets, being depreciated, net	<u>444,433</u>	<u>58,299</u>	<u> </u>	<u>502,732</u>
Governmental activities capital assets, net	<u>\$ 635,165</u>	<u>\$ 58,299</u>	<u>\$ </u>	<u>\$ 693,464</u>
Business-type activities (Enterprise Funds)				
Capital assets, not being depreciated:				
Land	<u>\$ 800</u>	<u>\$ </u>	<u>\$ </u>	<u>\$ 800</u>
Capital assets, being depreciated:				
Buildings & improvements	<u>83,440</u>			<u>83,440</u>
Vehicles & equipment	<u>5,371</u>			<u>5,371</u>
Water distribution system	<u>697,539</u>			<u>697,539</u>
Meters	<u>28,873</u>	<u> </u>	<u> </u>	<u>28,873</u>
Total capital assets, being depreciated	<u>815,223</u>	<u> </u>	<u> </u>	<u>815,223</u>
Less accumulated depreciation for:				
Buildings & improvements	<u>(83,440)</u>			<u>(83,440)</u>
Vehicles & equipment	<u>(5,371)</u>			<u>(5,371)</u>
Water distribution system	<u>(399,081)</u>	<u>(29,138)</u>		<u>(428,219)</u>
Meters	<u>(26,810)</u>	<u>(229)</u>	<u> </u>	<u>(27,039)</u>
Total accumulated depreciation	<u>(514,702)</u>	<u>(29,367)</u>	<u> </u>	<u>(544,069)</u>
Total capital assets, being depreciated, net	<u>300,521</u>	<u>(29,367)</u>	<u> </u>	<u>271,154</u>
Business-type activities capital assets, net	<u>\$ 301,321</u>	<u>\$ (29,367)</u>	<u>\$ </u>	<u>\$ 271,954</u>

III. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
Public works	\$ 17,233
Public safety	<u>18,458</u>
Total depreciation expense- governmental activities	<u>\$ 35,691</u>
Business-type activities:	
Water	<u>\$ 29,367</u>

D. Interfund receivables, payables, and transfers

Interfund transfers:

Transfer out:	Transfer In:		
	Major Street Fund	Local Street Fund	Total
Major Street Fund	\$ _____	\$ 10,000	\$ 10,000
Total transfers in	<u>\$ _____</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>

The composition of interfund balances as of February 29, 2008, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major street	Local street	\$ 7,500
General	Water	<u>7,736</u>
Total		<u>\$ 15,236</u>

E. Long-term debt

Revenue bonds

The Village issued bonds on May 1, 1983 to be paid from the revenues of the water system. The bonds were issued for the water supply system, a business-type activity. The original amount of the bond was \$175,000. Revenue bonds outstanding at year end are as follows:

III. Detailed notes on all funds (Continued)

E. Long-term debt (Continued)

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities	7.125%	<u>\$ 40,281</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending February 28,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 6,000	\$ 2,870
2010	6,000	2,443
2011	6,000	2,015
2012	6,000	1,588
2013	6,000	1,160
2014-2015	<u>10,281</u>	<u>754</u>
Total	<u>\$ 40,281</u>	<u>\$ 10,830</u>

Changes in long-term liabilities

Long-term liability activity for the year ended February 29, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:				
Bonds payable:				
Revenue bonds	<u>\$ 86,281</u>	<u>\$ (46,000)</u>	<u>\$ 40,281</u>	<u>\$ 6,000</u>

General Obligation Bonds

The Village issued bonds on December 12, 2002 to be paid from the limited tax, full faith, credit and resources of the Village. The bonds were issued for pay for the cost of constructing and equipping a new fire hall, from the general funds of the Village. The original amount of the bond was \$200,000. General obligation bonds outstanding at year are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental funds	5.0934947%	<u>\$ 175,000</u>

III. Detailed notes on all funds (Continued)

E. Long-term debt (Continued)

General obligation debt service requirements to maturity are as follows:

<u>Year Ending February 28,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 5,000	\$ 8,914
2010	5,000	8,659
2011	10,000	8,404
2012	10,000	7,895
2013	10,000	7,386
2014-2018	55,000	29,288
2019-2023	<u>80,000</u>	<u>12,735</u>
Total	<u>\$ 175,000</u>	<u>\$ 83,281</u>

Changes in long-term liabilities

Long-term liability activity for the year ended February 29, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:				
Bonds payable:				
General obligation bonds	<u>\$ 180,000</u>	<u>\$ 5,000</u>	<u>\$ 175,000</u>	<u>\$ 5,000</u>

F. Segment information

The Village issued revenue bonds on May 1, 1983 to help finance improvements to the Water Supply System consisting of water mains, wells, pumps, a 100,000 gallon elevated tank, water meters, together with all necessary attachments and appurtenances. Summary financial information for the water department is presented below.

III. Detailed notes on all funds (Continued)

F. Segment information (Continued)

CONDENSED STATEMENT OF NET ASSETS

Assets:	
Current assets	\$ 20,318
Restricted assets	39,086
Capital assets	<u>271,954</u>
Total assets	<u>331,358</u>
Liabilities:	
Current liabilities	14,693
Bonds payable-noncurrent	<u>34,281</u>
Total liabilities	<u>48,974</u>
Net assets:	
Invested in capital assets, net of related debt	231,673
Restricted	39,086
Unrestricted	<u>11,625</u>
Total net assets	<u>\$ 282,384</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Water charges (pledged against bonds)	\$ 56,926
Rents	45,600
Depreciation expense	(29,367)
Other operating expenses	<u>(57,779)</u>
Operating income(loss)	15,380
Nonoperating revenues(expenses):	
Investment earnings	981
Interest expense	<u>(4,306)</u>
Change in net assets	12,055
Beginning net assets	<u>270,329</u>
Ending net assets	<u>\$ 282,384</u>

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by:	
Operating activities	\$ 47,828
Noncapital financing activities	19,236
Capital and related financing activities	(51,398)
Investing activities	<u>(18,518)</u>
Net increase (decrease)	(2,852)
Beginning cash and cash equivalents	<u>16,052</u>
Ending cash and cash equivalents	<u>\$ 13,200</u>

III. Detailed notes on all funds (Continued)

G. Schedule of investment in capital assets

Changes in the investment in capital assets in the enterprise fund type for the year ended February 29, 2008, consist of the following:

Balance - beginning	\$ 215,040
Depreciation	(29,367)
Reduction in bonds payable	<u>46,000</u>
Balance - ending	<u>\$ 231,673</u>

IV. Other information

A. Risk management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Village was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Village joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Village pays an annual premium to the pool for its general insurance coverage. The Village has purchased commercial insurance for all other risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Village is unable to provide an estimate of the amounts of additional assessments.

B. Pension plan

The Village elected to cover its employees under a pension plan through Municipal Retirement Systems, Inc. The election was effective on July 1, 1991 and was in lieu of coverage under the social security system. The plan is known as a Money Purchase Pension plan and the Village is required to contribute 50% of the cost for each employee. The Village contributed \$4,311 during the fiscal year ended February 29, 2008.

Eligibility:	Minimum Age:	18
	Maximum Age:	75
	Years of Service:	0

IV. Other information (Continued)

B. Pension plan (Continued)

Contribution Formula: The Employer contributes 6.0% of the Employee's annual compensation; Employee contributes 6.0% of his/her annual compensation.

Optional Past Service: The Employer contributes 3.0% of the Employee's current annual compensation for each eligible year of past service up to a maximum of 10 years.

Ownership of Funds: Vesting (ownership) is 100% immediate. All funds deposited belong to the Employee in the event of death, disability, retirement or job severance.

Includes contributions for future and past service and funds transferred from another plan.

Retirement Benefit: Life and Ten Year Certain Annuity. Guarantees you a monthly check for as long as you live; and also in case of your death, continues payments to your beneficiary until a combined sum of 120 payments have been made to you and your beneficiary. Other options are available.

Funding Vehicle: Flexible Premium Annuity.

Insurance Company: USG Annuity and Life Company, a subsidiary of The Equitable Life of Iowa.

Interest Rate: Current rate plus 'bonus' interest equals 8.1%.

Normal Retirement Date: At age 65, or if age 61 or older at entry, at the completion of five years of plan participation.

Plan Expenses:

Participant Fees	- None
Sales Charges	- None
Asset Charges	- None
Administration Fee	- \$100 annually

Required Supplementary Information

Village of Buckley
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended February 29, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Property taxes and related fees	\$124,750	\$ 124,750	\$131,170	\$ 6,420
Licenses and fees	2,500	2,500	350	(2,150)
Intergovernmental revenue from federal government:				
Fire truck	65,000	65,000	66,500	1,500
Intergovernmental revenue from state:				
State revenue sharing	47,500	47,500	47,269	(231)
Contributions from local units	21,000	21,000	21,281	281
Charges for services:				
Ambulance services	25,000	25,000	36,795	11,795
Interest and rents:				
Interest earnings	2,500	2,500	1,917	(583)
Equipment rents	22,500	22,500	23,225	725
Other revenue:				
Special assessments			5,000	5,000
Total revenues	<u>310,750</u>	<u>310,750</u>	<u>333,507</u>	<u>22,757</u>
EXPENDITURES				
Current:				
General government:				
Village council	11,250	11,250	12,870	(1,620)
President	3,300	3,300	3,281	19
Treasurer	14,400	14,400	12,752	1,648
Clerk	12,525	12,525	12,137	388
Elections	3,500	3,500	1,905	1,595
All other general government:				
Legal services	1,000	1,000	208	792
Computer services	750	750		750
Audit services	<u>6,500</u>	<u>6,500</u>	<u>6,275</u>	<u>225</u>
Total general government	<u>53,225</u>	<u>53,225</u>	<u>49,428</u>	<u>3,797</u>

Village of Buckley
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended February 29, 2008
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
EXPENDITURES (CONTINUED) :				
Current:				
Public safety:				
Fire:				
Fire chief salary	2,750	2,750	2,475	275
Volunteer auxiliary contract	2,750	2,750	2,475	275
Fire supplies	7,500	7,500	7,455	45
Gas & oil	2,500	2,500	2,184	316
Utilities	10,000	10,000	9,569	431
Water usage	2,000	2,000	2,000	
Insurance	10,000	10,000	5,413	4,587
Equipment rentals-hydrants	35,000	35,000	35,000	
Education & training	5,000	5,000	4,631	369
Equipment	4,000	4,000	3,729	271
Total public safety	<u>81,500</u>	<u>81,500</u>	<u>74,931</u>	<u>6,569</u>
Public works:				
DPW:				
Salaries	14,000	14,000	12,659	1,341
Supplies	11,000	11,000	10,162	838
Gas and oil	6,500	6,500	6,010	490
Insurance	12,000	12,000	7,592	4,408
Utilities	12,000	12,000	11,228	772
Water usage	2,000	2,000	2,000	
Equipment	6,000	6,000	5,988	12
Total DPW	<u>63,500</u>	<u>63,500</u>	<u>55,639</u>	<u>7,861</u>
Street lighting:				
Electricity	10,500	10,500	9,928	572
Christmas lights	500	500		500
Total street lighting	<u>11,000</u>	<u>11,000</u>	<u>9,928</u>	<u>1,072</u>
Total public works	<u>74,500</u>	<u>74,500</u>	<u>65,567</u>	<u>8,933</u>

Village of Buckley
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended February 29, 2008
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
EXPENDITURES (CONTINUED) :				
Current:				
Health & welfare:				
Ambulance/rescue				
salaries/supplies	<u>25,000</u>	<u>25,000</u>	<u>21,917</u>	<u>3,083</u>
Community/economic				
development:				
Planning				
commission	<u>6,000</u>	<u>6,000</u>	<u>5,680</u>	<u>320</u>
Recreation & culture:				
Parks & recreation:				
Supplies	<u>1,500</u>	<u>1,500</u>	<u>1,410</u>	<u>90</u>
Centennial	<u>20,000</u>	<u>20,000</u>	<u>17,675</u>	<u>2,325</u>
Total recreation				
& culture	<u>21,500</u>	<u>21,500</u>	<u>19,085</u>	<u>2,415</u>
Other:				
Fringe benefits/				
retirement	<u>10,000</u>	<u>10,000</u>	<u>8,811</u>	<u>1,189</u>
Debt payments:				
Principal & interest	<u>14,200</u>	<u>14,200</u>	<u>13,913</u>	<u>287</u>
Capital outlay	<u>96,000</u>	<u>96,000</u>	<u>93,990</u>	<u>2,010</u>
Total				
expenditures	<u>381,925</u>	<u>381,925</u>	<u>353,322</u>	<u>28,603</u>
Net change in fund				
balance	(71,175)	(71,175)	(19,815)	51,360
Fund balance -				
beginning	<u>130,416</u>	<u>130,416</u>	<u>146,882</u>	<u>16,466</u>
Fund balance -				
ending	<u>\$ 59,241</u>	<u>\$ 59,241</u>	<u>\$127,067</u>	<u>\$ 67,826</u>

See notes to financial statements

Village of Buckley
Major Street Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended February 29, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Intergovernmental				
revenue from state:				
Streets and highways:				
Act 51 monies	\$ 42,000	\$ 42,000	\$ 41,536	\$ (464)
Interest earnings	<u>450</u>	<u>450</u>	<u>334</u>	<u>(116)</u>
Total revenues	<u>42,450</u>	<u>42,450</u>	<u>41,870</u>	<u>(580)</u>
EXPENDITURES				
Public works:				
Routine maintenance:				
Salaries	8,000	8,000	7,775	225
Contract services	35,000	35,000	8,156	26,844
Equipment rentals	<u>9,000</u>	<u>9,000</u>	<u>8,991</u>	<u>9</u>
Total expenditures	<u>52,000</u>	<u>52,000</u>	<u>24,922</u>	<u>27,078</u>
Excess (deficiency)				
of revenues over				
(under) expenditures	(9,550)	(9,550)	16,948	26,498
OTHER FINANCING				
SOURCES (USES)				
Transfers in (out)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	
Net change in fund				
balance	(19,550)	(19,550)	6,948	26,498
Fund balance -				
beginning	<u>36,500</u>	<u>36,500</u>	<u>36,500</u>	
Fund balance -				
ending	<u>\$ 16,950</u>	<u>\$ 16,950</u>	<u>\$ 43,448</u>	<u>\$ 26,498</u>

See notes to financial statements

Village of Buckley
Local Street Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended February 29, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Intergovernmental				
revenue from state:				
Streets and highways:				
Act 51 monies	\$ 19,000	\$ 19,000	\$ 18,359	\$ (641)
Interest earnings	<u>150</u>	<u>150</u>	<u>187</u>	<u>37</u>
Total revenues	<u>19,150</u>	<u>19,150</u>	<u>18,546</u>	<u>(604)</u>
EXPENDITURES				
Public works:				
Routine maintenance:				
Salaries	5,000	5,000	6,394	(1,394)
Contract services	22,000	22,000	21,790	210
Equipment rentals	<u>7,500</u>	<u>7,500</u>	<u>6,761</u>	<u>739</u>
Total expenditures	<u>34,500</u>	<u>34,500</u>	<u>34,945</u>	<u>(445)</u>
Excess (deficiency)				
of revenues over				
(under) expenditures	(15,350)	(15,350)	(16,399)	(1,049)
OTHER FINANCING				
SOURCES (USES)				
Transfers in (out)	<u> </u>	<u> </u>	<u>10,000</u>	<u>10,000</u>
Net change in fund				
balance	(15,350)	(15,350)	(6,399)	8,951
Fund balance -				
beginning	<u>22,257</u>	<u>22,257</u>	<u>16,629</u>	<u>(5,628)</u>
Fund balance -				
ending	<u>\$ 6,907</u>	<u>\$ 6,907</u>	<u>\$ 10,230</u>	<u>\$ 3,323</u>

See notes to financial statements

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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**Report on Internal Control over
Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with
Government Auditing Standards**

Members of the Village Council
Village of Buckley
Buckley, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Buckley, Michigan (Village), as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements and have issued my report thereon dated August 31, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Village of Buckley
Page Two

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Village Council, others within the entity, Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Barry E. Tardiff, CPA, PC

August 12, 2008

COMMENTS AND RECOMMENDATIONS

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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Members of the Village Council
Village of Buckley
Buckley, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

The following comments are based on observations made during the course of my examination for the year ended February 29, 2008, and requirements of the Farmers Home Administration USDA's audit guide.

Internal Control

An evaluation was made of the system of internal control. Some of the internal controls include the use of software for the collection of water receipts, prenumbered receipts, the bank reconciliation is done by the treasurer and checked by the clerk, the general ledger is prepared by the clerk, check disbursements are signed and approved by the treasurer and clerk, and the council approves all disbursements.

Chart of Accounts

The Village uses the State of Michigan uniform chart of accounts.

Control over Assets

The Village has adequate physical control over its assets. The assets are being recorded as purchased in their funds, thus maintaining accounting control of the assets.

Loan Agreements

The Village appears to be in compliance with loan agreements, including the maintenance of cash reserves.

Accounting Records

The financial reports included in the audit are in agreement with the Village's accounting records.

Village of Buckley
Comments and Recommendations
Page Two

Cash and Cash Equivalents

At year end, the carrying amount of the Village's demand deposits were \$68,567, a NOW account of \$30,102, and certificate of deposits of \$39,031, and the bank balance was \$137,917. All of the bank balance was covered by Federal Deposit Insurance Corporation (FDIC).

Bond and Insurance Policies

Bond and insurance policies were examined. The Village reviews it insurance coverage on an annual basis.

Bond Requirements

As of February 29, 2008, the Village is in compliance with the requirements set forth for the water system's bonds.

Income Tax Status

The Village is exempt from federal income tax.

Aging of Accounts Receivable

Water accounts are billed monthly. An aging of the accounts receivable is as follows:

<u>Fund</u>	<u>Total</u>	<u>Over 90 Days</u>
Water	\$ 3,049	\$ 3,049

Cash Flows

The water fund cash flow during the current year was a decrease of \$2,852, which compares to an decrease of \$16,557 in the prior year.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management, the Township Board, the Michigan Department of Treasury and USDA and should not be used for any other purpose.

Bary Sandetti, AS, PC

August 31, 2008